

Message Text

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ACTION EA-12

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TO SECSTATE WASHDC 1327

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 2097

C O R R E C T E D C O P Y (TEXT)

E.O. 11652: GDS

TAGS: ENRG, CH

SUBJC LIGNITE DEVELOPMENT AND COAL GASIFICATION IN CHINA

1. DURING JULY 9 GREAT HALL BANQUET USLO OFFICER WAS ABLE TO CASUALLY QUESTION MR. CHIA WEN-CHEN, AN ENGINEER FROM THE MINISTRY OF COAL INDUSTRY, ABOUT PRC COAL MATTERS. CHIA STATED THAT NEGOTIATIONS FOR EQUIPMENT FOR THE LARGE LIGNITE MINE IN WESTERN KIRIN PROVINCE HAD BEEN COMPLETED WITH WEST GERMAN FIRMS (KRUPP AND ANOTHER). THESE FIRMS, IN ADDITION TO SUPPLYING EQUIPMENT, WILL SUPPLY ENGINEERING DESIGNS FOR THE MINE. (COMMENT: THIS IS THE SECOND WE HAVE HEARD OF THE PRC ACTUALLY CONTRACTING FOR MINING DESIGN SERVICES. OTHER DESIGN SERVICE DEALS ARE UNDER NEGOTIATION AND SOME CONTRACTS WILL UNDOUBTEDLY BE SIGNED.)

2. CHIA SAID THAT THERE ARE ALSO LARGE LIGNITE DEPOSITS IN LIAONING AND HEILUNGKIANG. HE CONFIRMED THAT AN ELECTRIC POWER PLANT WOULD BE BUILT NEAR THE KIRIN MINE. REGARDING CHINESE ENERGY CONSUMPTION, CHIA SAID THAT HE THOUGHT THE PROPORTION OF PETROLEUM IN THE PRC OVERALL CONSUMPTION WOULD INCREASE IN THE FUTURE. COAL WILL REMAIN PREDOMINANT -- BUT, HE ADDED, GREAT
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EFFORTS WILL BE MADE TO GASIFY COAL. AT PRESENT, ENERGY EFFICIENCY OF COAL BURNED IN STEAM LOCOMOTIVES IS ONLY EIGHT PERCENT, WHILE THAT BURNED IN ELECTRIC POWER GENERATORS IS ONLY 28-30 PERCENT; THE REST IS WASTED. GASIFICATION IS MUCH MORE EFFICIENT AND WILL GREATLY RELIEVE TRANSPORT PROBLEMS.

3. SPEAKING OF COKING COAL DEPOSITS, CHIA MENTIONED PINGTINGSHAN,

TSAOCHUAN, KAILUAN AND HOKANG. ASKED WHETHER HOKANG IS UNDER EXPANSION, HE SAID NO BECAUSE IT IS TOO CLOSE TO THE SOVIET BORDER. HE ALSO MENTIONED THE EXISTENCE OF A LARGE MINE WITH COKING QUALITY COAL NEAR TAIAN IN SHANTUNG.

4. SPEAKING OF MINING TECHNIQUES, CHIA STATED WITH OBVIOUS ENVY AND SOME AWE THAT THE U.S. IS THE WORLD LEADER IN VIRTUALLY ALL MINING TECHNIQUES. THIS IS PARTICULARLY TRUE IN OPEN PIT WHERE CHINA HAS A LOT TO LEARN.

5. COMMENT: ACCORDING TO AN AMERICAN TRADER IN PEKING, THE CHINESE HAVE ALLOCATED APPROXIMATELY \$500 MILLION TO PURCHASES OF COAL MINING EQUIPMENT FROM ABROAD (PERIOD UNSPECIFIED) AND WEST GERMANS WILL GET ABOUT ONE THIRD OF THE ORDERS. WOODCOCK

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